

CITY OF HOLYROOD, KANSAS

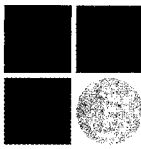
Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2010

CITY OF HOLYROOD, KANSAS
Financial Statements With Independent Auditors' Report
For the Year Ended December 31, 2010

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Holyrood, Kansas
Holyrood, Kansas

We have audited the accompanying financial statements of **City of Holyrood, Kansas**, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of **City of Holyrood, Kansas'** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, **City of Holyrood, Kansas**, has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **City of Holyrood, Kansas**, as of December 31, 2010, or the changes in its financial position for the year then ended. Further, **City of Holyrood, Kansas**, has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **City of Holyrood, Kansas**, as of December 31, 2010, and their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of accounting described in Note 1.

Adams, Brown, Beran & Ball, Chtd.

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

May 02, 2011

CITY OF HOLYROOD, KANSAS
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Categories							
General Fund	\$ 46,906	-	221,503	242,942	25,467	5,235	30,702
Special Revenue Funds							
Special Highway Fund	84	-	11,925	12,003	6	-	6
Recreation Fund	8,650	-	8,244	2,144	14,750	216	14,966
Capital Improvement Fund	246,822	-	16,300	229,005	34,117	-	34,117
Medical Building Fund	33,683	-	4,200	552	37,331	25	37,356
Debt Service Fund							
Bond and Interest Fund	112	-	42,343	42,200	255	-	255
Capital Project Funds							
Fire Station Grant Fund	2,067	-	-	2,067	-	-	-
Holyrood Lake Fund	15,000	-	10,000	2,098	22,902	-	22,902
Demolition Grant Fund	-	-	8,712	-	8,712	-	8,712
Proprietary Fund Category							
Enterprise Funds							
Electric Utility Fund	47,117	-	340,335	308,849	78,603	15,258	93,861
Customers Fund	7,651	-	2,250	1,500	8,401	-	8,401
Water Utility Fund	25,572	-	78,811	78,139	26,244	632	26,876
Sewer Fund	55,534	-	41,104	38,839	57,799	241	58,040
Sewer Reserve Fund	50,760	-	5,640	-	56,400	-	56,400
Trash Fund	5,342	-	35,359	34,574	6,127	-	6,127
Fiduciary Fund Category							
Private Purpose Trust Fund	2,611	-	180	1,820	971	-	971
Park Shelter Fund							
Total Reporting Entity	<u>\$ 547,911</u>	<u>-</u>	<u>826,906</u>	<u>996,732</u>	<u>378,085</u>	<u>21,607</u>	<u>399,692</u>
		Composition of Cash	Checking Accounts				
			Total Reporting Entity				
			<u>\$ 399,692</u>				
			<u>\$ 399,692</u>				

The notes to the financial statements are an integral part of this statement.

CITY OF HOLYROOD, KANSAS
Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2010

Funds	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Fund Categories					
General Fund	\$ 254,045	-	254,045	242,942	(11,103)
Special Revenue Funds					
Special Highway Fund	12,990	-	12,990	12,003	(987)
Recreation Fund	10,800	-	10,800	2,144	(8,656)
Medical Building Fund	24,389	-	24,389	552	(23,837)
Debt Service Fund					
Bond and Interest Fund	42,205	-	42,205	42,200	(5)
Proprietary Fund Category					
Enterprise Funds					
Electric Utility Fund	367,223	-	367,223	308,849	(58,374)
Water Utility Fund	120,984	-	120,984	78,139	(42,845)
Sewer Fund	80,258	-	80,258	38,839	(41,419)
Trash Fund	39,820	-	39,820	34,574	(5,246)

The notes to the financial statements are an integral part of this statement.

CITY OF HOLYROOD, KANSAS

General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2010

(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 121,397	124,005	127,216	(3,211)
Delinquent Tax	3,166	2,287	1,000	1,287
Motor Vehicle Tax	24,924	23,987	24,290	(303)
Recreational Vehicle Tax	812	737	648	89
Liquor Tax	564	2,767	-	2,767
Sales Tax	16,025	15,836	16,250	(414)
Fines	-	1,041	100	941
Rent	30	30	200	(170)
Beer Licenses	170	95	250	(155)
Gas and Cable Franchise	4,563	4,524	5,500	(976)
Dog Tags	1,244	1,408	1,400	8
Van Reimbursements	3,562	4,805	4,000	805
Other Income	1,454	2,548	4,250	(1,702)
Interest Income	11,102	8,220	12,500	(4,280)
Reimbursed Expenses	246	3,553	4,000	(447)
Fire Station Rent	500	660	-	660
Operating Transfers	25,000	25,000	25,000	-
Total Cash Receipts	214,759	221,503	226,604	(5,101)
Expenditures				
Salaries	55,759	72,830	60,500	12,330
Employee Benefits	54,936	57,448	60,450	(3,002)
Insurance	4,743	5,779	5,750	29
Utilities	6,711	7,655	9,500	(1,845)
Accounting	8,216	8,613	8,500	113
Legal and Publishing	4,031	5,573	5,500	73
Repairs	8,811	1,518	7,000	(5,482)
Supplies	5,022	5,270	6,000	(730)
Fuel	1,685	1,985	3,000	(1,015)
Van	4,097	4,782	5,000	(218)
Fire	20,107	21,655	16,500	5,155
Police	4,870	13,728	8,500	5,228
Street and Alley	7,507	9,946	25,000	(15,054)
Miscellaneous	9,750	14,150	15,000	(850)
Capital Outlay	10,004	5,990	7,845	(1,855)
Law Enforcement	173	358	1,000	(642)
Economic Development	1,433	2,867	4,500	(1,633)
Noxious Weeds	2,351	2,795	4,500	(1,705)
Total Expenditures	210,206	242,942	254,045	(11,103)
Cash Receipts Over (Under) Expenditures	4,553	(21,439)		
Unencumbered Cash - Beginning	42,353	46,906		
Unencumbered Cash - Ending	\$ 46,906	25,467		

The notes to the financial statements are an integral part of this statement.

CITY OF HOLYROOD, KANSAS
Special Highway Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
Cash Receipts				
State of Kansas - Gasoline Tax	\$ 11,245	11,925	12,990	(1,065)
Expenditures				
Salaries	11,447	12,003	12,990	(987)
Cash Receipts Over (Under) Expenditures	(202)	(78)		
Unencumbered Cash - Beginning	286	84		
Unencumbered Cash - Ending	\$ 84	6		

The notes to the financial statements are an integral part of this statement.

CITY OF HOLYROOD, KANSAS

Recreation Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2010

(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 3,825	4,856	4,982	(126)
Delinquent Tax	118	77	-	77
Motor Vehicle Tax	851	753	763	(10)
Recreational Vehicle Tax	28	23	20	3
Miscellaneous	1,056	2,535	-	2,535
Total Cash Receipts	5,878	8,244	5,765	2,479
Expenditures				
Utilities	53	93	500	(407)
Supplies	-	50	1,600	(1,550)
Miscellaneous	462	311	200	111
Contractual Services	2,460	1,690	4,000	(2,310)
Capital Outlay	2,917	-	4,500	(4,500)
Total Expenditures	5,892	2,144	10,800	(8,656)
Cash Receipts Over (Under) Expenditures	(14)	6,100		
Unencumbered Cash - Beginning	8,664	8,650		
Unencumbered Cash - Ending	\$ 8,650	14,750		

The notes to the financial statements are an integral part of this statement.

CITY OF HOLYROOD, KANSAS
Capital Improvement Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Operating Transfers	\$ 50,000	16,300
Expenditures		
Capital Outlay	14,750	229,005
Cash Receipts Over (Under) Expenditures	35,250	(212,705)
Unencumbered Cash - Beginning	211,572	246,822
Unencumbered Cash - Ending	\$ 246,822	34,117

The notes to the financial statements are an integral part of this statement.

CITY OF HOLYROOD, KANSAS
Medical Building Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Rent	\$ 4,200	4,200	4,200	-
Expenditures				
Maintenance	506	552	4,000	(3,448)
Contractual Services	-	-	100	(100)
Capital Outlay	-	-	20,289	(20,289)
Total Expenditures	506	552	24,389	(23,837)
Cash Receipts Over (Under) Expenditures	3,694	3,648		
Unencumbered Cash - Beginning	29,989	33,683		
Unencumbered Cash - Ending	\$ 33,683	37,331		

The notes to the financial statements are an integral part of this statement.

CITY OF HOLYROOD, KANSAS
Bond and Interest Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	(Under)
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 34,136	34,760	35,661	(901)
Delinquent Tax	850	619	-	619
Motor Vehicle Tax	6,583	6,756	6,842	(86)
Recreational Vehicle Tax	215	208	183	25
Total Cash Receipts	41,784	42,343	42,686	(343)
Expenditures				
Principal Payments	40,000	40,000	40,000	-
Interest Payments	4,300	2,200	2,200	-
Miscellaneous	2	-	5	(5)
Total Expenditures	44,302	42,200	42,205	(5)
Cash Receipts Over (Under) Expenditures	(2,518)	143		
Unencumbered Cash - Beginning	2,630	112		
Unencumbered Cash - Ending	\$ 112	255		

The notes to the financial statements are an integral part of this statement.

CITY OF HOLYROOD, KANSAS
Fire Station Grant Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts	\$ -	-
Expenditures		
Construction	-	2,067
Cash Receipts Over (Under) Expenditures	-	(2,067)
Unencumbered Cash - Beginning	2,067	2,067
Unencumbered Cash - Ending	\$ 2,067	-

The notes to the financial statements are an integral part of this statement.

CITY OF HOLYROOD, KANSAS
Holyrood Lake Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Aid	\$ 50,000	-
Donations	25,000	10,000
Total Cash Receipts	75,000	10,000
Expenditures		
Contractual	60,000	-
Miscellaneous	-	2,098
Total Expenditures	60,000	2,098
Cash Receipts Over (Under) Expenditures	15,000	7,902
Unencumbered Cash - Beginning	-	15,000
Unencumbered Cash - Ending	\$ 15,000	22,902

The notes to the financial statements are an integral part of this statement.

CITY OF HOLYROOD, KANSAS
Demolition Grant Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Reimbursed Expenses	\$ -	8,712
Expenditures	-	-
Cash Receipts Over (Under) Expenditures	-	8,712
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	8,712

The notes to the financial statements are an integral part of this statement.

CITY OF HOLYROOD, KANSAS
Electric Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
Cash Receipts				
Sales to Customers	\$ 275,175	334,531	330,000	4,531
Penalties	4,350	5,253	3,500	1,753
Reimbursed Expenses	49	70	500	(430)
Other Income	572	481	-	481
Total Cash Receipts	<u>280,146</u>	<u>340,335</u>	<u>334,000</u>	<u>6,335</u>
Expenditures				
Salaries	28,772	27,844	33,000	(5,156)
Health Insurance	-	4,265	8,500	(4,235)
Utilities	3,745	3,888	5,000	(1,112)
Supplies	3,981	4,090	10,500	(6,410)
Fuel	1,188	1,214	3,000	(1,786)
Miscellaneous	9,577	7,550	10,000	(2,450)
Power	188,350	223,245	250,000	(26,755)
Sales Tax	5,788	7,042	7,500	(458)
Insurance	1,917	2,211	3,500	(1,289)
Capital Outlay	3,719	-	5,473	(5,473)
Testing	216	-	3,250	(3,250)
Operating Transfers	45,000	27,500	27,500	-
Total Expenditures	<u>292,253</u>	<u>308,849</u>	<u>367,223</u>	<u>(58,374)</u>
Cash Receipts Over (Under) Expenditures	(12,107)	31,486		
Unencumbered Cash - Beginning	<u>59,224</u>	<u>47,117</u>		
Unencumbered Cash - Ending	<u>\$ 47,117</u>	<u>78,603</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF HOLYROOD, KANSAS
Customers Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Meter Deposits	\$ 3,291	2,250
Expenditures		
Deposit Refund	2,189	1,500
Cash Receipts Over (Under) Expenditures	1,102	750
Unencumbered Cash - Beginning	6,549	7,651
Unencumbered Cash - Ending	\$ 7,651	8,401

The notes to the financial statements are an integral part of this statement.

CITY OF HOLYROOD, KANSAS

Water Utility Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2010

(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Sales to Customers	\$ 68,579	77,310	82,000	(4,690)
Late Penalties	991	1,235	1,000	235
Dividend Revenue	269	178	-	178
Other Income	40	83	100	(17)
Reimbursed Expenses	50	5	100	(95)
Total Cash Receipts	<u>69,929</u>	<u>78,811</u>	<u>83,200</u>	<u>(4,389)</u>
Expenditures				
Salaries	18,115	21,708	19,500	2,208
Utilities	8,407	7,841	11,500	(3,659)
Supplies	4,086	3,815	5,500	(1,685)
Miscellaneous	1,309	2,012	3,000	(988)
Sales Tax	347	644	4,000	(3,356)
Maintenance	2,630	466	8,500	(8,034)
Insurance	1,633	2,166	4,000	(1,834)
Testing	1,788	227	3,000	(2,773)
Revolving Loan Principal	10,014	10,376	10,376	-
Revolving Loan Interest	7,628	7,301	7,301	-
Revolving Loan Fee	827	791	827	(36)
Capital Outlay	23,626	6,992	18,480	(11,488)
Operating Transfers	30,000	13,800	25,000	(11,200)
Total Expenditures	<u>110,410</u>	<u>78,139</u>	<u>120,984</u>	<u>(42,845)</u>
Cash Receipts Over (Under) Expenditures	(40,481)	672		
Unencumbered Cash - Beginning	<u>66,053</u>	<u>25,572</u>		
Unencumbered Cash - Ending	<u>\$ 25,572</u>	<u>26,244</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF HOLYROOD, KANSAS

Sewer Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2010

(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Sales to Customers	\$ 41,112	40,977	43,000	(2,023)
Dividend Income	192	127	-	127
Reimbursed Expenses	-	-	100	(100)
Total Cash Receipts	<u>41,304</u>	<u>41,104</u>	<u>43,100</u>	<u>(1,996)</u>
Expenditures				
Salaries	4,263	6,040	8,500	(2,460)
Utilities	1,808	1,833	5,500	(3,667)
Supplies	113	348	4,000	(3,652)
Miscellaneous	1,020	1,568	3,500	(1,932)
Maintenance	1,080	577	7,000	(6,423)
Revolving Loan Principal	14,070	14,551	14,551	-
Revolving Loan Interest	7,312	6,867	6,867	-
Revolving Loan Fee	582	547	700	(153)
Testing	434	868	3,000	(2,132)
Capital Outlay	11,650	-	21,000	(21,000)
Operating Transfers	5,640	5,640	5,640	-
Total Expenditures	<u>47,972</u>	<u>38,839</u>	<u>80,258</u>	<u>(41,419)</u>
Cash Receipts Over (Under) Expenditures	(6,668)	2,265		
Unencumbered Cash - Beginning	<u>62,202</u>	<u>55,534</u>		
Unencumbered Cash - Ending	<u>\$ 55,534</u>	<u>57,799</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF HOLYROOD, KANSAS
Sewer Reserve Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Operating Transfers	\$ 5,640	5,640
Expenditures	-	-
Cash Receipts Over (Under) Expenditures	5,640	5,640
Unencumbered Cash - Beginning	45,120	50,760
Unencumbered Cash - Ending	\$ 50,760	56,400

The notes to the financial statements are an integral part of this statement.

CITY OF HOLYROOD, KANSAS

Trash Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2010

(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Sales to Customers	\$ 35,162	35,359	36,000	(641)
Expenditures				
Salaries	3,794	4,454	4,500	(46)
Collections	30,120	30,120	35,320	(5,200)
Total Expenditures	33,914	34,574	39,820	(5,246)
Cash Receipts Over (Under) Expenditures	1,248	785		
Unencumbered Cash - Beginning	4,094	5,342		
Unencumbered Cash - Ending	\$ 5,342	6,127		

The notes to the financial statements are an integral part of this statement.

CITY OF HOLYROOD, KANSAS
Park Shelter Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Donations	\$ 18,101	-
Reimbursed Expenses	-	180
Total Cash Receipts	<u>18,101</u>	<u>180</u>
Expenditures		
Miscellaneous	1,306	1,820
Capital Outlay	14,184	-
Total Expenditures	<u>15,490</u>	<u>1,820</u>
Cash Receipts Over (Under) Expenditures	2,611	(1,640)
Unencumbered Cash - Beginning	-	2,611
Unencumbered Cash - Ending	<u>\$ 2,611</u>	<u>971</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HOLYROOD, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Holyrood, Kansas has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Reporting Entity

The City is a municipal corporation governed by an elected Mayor and five-member council. The financial statements of the City consist of all the funds of the City that are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The City has no component units.

Use of Estimates

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

Basis of Presentation – Fund Accounting

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the City for the year ended December 31, 2010.

Governmental Fund Categories

General Fund – to account for all financial resources except those required to be reported in another fund.

Special Revenue Funds – to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

Debt Service Fund – to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Project Funds – to account for financial resources that are to be used for the acquisition or construction of major capital facilities.

CITY OF HOLYROOD, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Category

Enterprise Funds – to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Category

Private Purpose Trust Fund – to account for assets held by the City as trustee or agent for others. The principal and income of this fund may be expended in the course of the fund's designated operations.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

Departure From Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget.

CITY OF HOLYROOD, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, fiduciary funds, permanent funds, and the following special revenue fund: Capital Improvement Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Deposits and Investments

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures, and unencumbered cash.

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

CITY OF HOLYROOD, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K.S.A. 12-1675 limits the City's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City does not use "peak periods". All deposits were legally secured at December 31, 2010.

At December 31, 2010, the City's carrying amount of deposits was \$399,692 and the bank balance was \$409,739. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$258,723 was covered by federal depository insurance and \$151,016 was collateralized with securities held by pledging financial institutions' agents in the City's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The City had no investments at December 31, 2010.

Compensated Absences

Vacation

The City's policy regarding vacation is as follows:

After 1 Year	5 Days
2 - 10 Years	10 Days
11 and Over	15 Days

Vacation time must be taken within the following year and may not be accumulated.

Sick Leave

The City's policy regarding sick leave is that employees are eligible for sick leave after six months. Employees can earn one day of sick leave per month. Sick leave can be accumulated up to 480 hours. Sick leave is not paid upon termination of employment.

Comp Time

Comp time is earned at a rate of 1 ½ hours per every hour worked over 40 hours during a one week period. Comp time must be taken as time off within a 60 day time period of the date earned.

CITY OF HOLYROOD, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Personal Days

The City's full-time employees earn two personal days a year.

A potential liability for accumulated vacation, sick leave and comp time is shown on the schedule of long-term debt.

Defined Benefit Pension Plan

Plan Description

The City contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2010 was 7.14%. The City's employer contributions to KPERS for the years ending December 31, 2010, 2009 and 2008 were \$7,145, \$6,805, and \$6,006, respectively, equal to the required contributions for each year as set forth by the legislature.

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

CITY OF HOLYROOD, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts. Also, cash is restricted in the trust fund of the City for special purposes.

Reimbursements

The City records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

NOTE 2 – INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. **City of Holyrood, Kansas'** interfund transfers and statutory authority for the year ended December 31, 2010 were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
Water Utility Fund	Capital Improvement Fund	K.S.A. 12-1,118	\$ 13,800
Electric Utility Fund	Capital Improvement Fund	K.S.A. 12-1,118	2,500
Sewer Fund	Sewer Reserve Fund	K.S.A. 12-825d	5,640
Electric Utility Fund	General Fund	K.S.A. 12-825d	25,000

NOTE 3 – LITIGATION

City of Holyrood, Kansas is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

NOTE 4 – RISK MANAGEMENT

City of Holyrood, Kansas carries commercial insurance for risks of loss, including property, general liability, inland marine, workers' compensation, umbrella, automobile, linebacker and surety bond coverage. The City has elected to obtain comprehensive and collision coverage on all City owned motor vehicles. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 5 – GRANTS AND SHARED REVENUES

City of Holyrood, Kansas participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

CITY OF HOLYROOD, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 6 – COMPARATIVE DATA

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in **City of Holyrood, Kansas'** cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

NOTE 7 – LONG-TERM DEBT

The **City of Holyrood, Kansas** has the following types of long-term debt:

General Obligation Bond

On September 1, 2000, the City issued \$325,000 in General Obligation Bonds, Series A 2000, to provide permanent financing for the construction of street improvements.

KDHE Revolving Loan

The City entered into a revolving loan agreement with the Kansas Department of Health and Environment on September 28, 2000 for the purpose of adding a third cell to the existing two cell lagoon, replacement of a lift station and installation of a standby power generator. The City is in compliance with the loan covenants.

The City entered into a revolving loan agreement with the Kansas Department of Health and Environment on February 3, 2005 for the purpose of the installation of PVC pipe, flushing hydrants, ventilation system and all related connections and appurtenances. The City is in compliance with the loan covenants.

CITY OF HOLYROOD, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 7 - LONG-TERM DEBT (continued)

Changes in long-term liabilities for the City for the year ended December 31, 2010, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds										
Series 2000	4.30% - 5.50%	9/19/2000	\$ 325,000	9/1/2010	\$ 40,000	-	(40,000)		-	2,200
KDHE Loans										
Kansas Water Pollution Control Revolving Loan Fund - Sewer	3.14%	9/28/2000	\$ 322,252	3/1/2022	222,291	-	(14,551)		207,740	6,867
Kansas Water Pollution Control Revolving Loan Fund - Water	3.58%	2/3/2005	255,911	2/1/2026	228,620	-	(10,377)		218,243	7,301
Total Contractual Indebtedness										
					490,911	-	(64,928)		425,983	16,368
Compensated Absences	N/A	N/A	N/A	N/A	23,939			(681)	23,258	
Total Long-Term Debt					\$ 514,850	-	(64,928)	(681)	449,241	16,368

CITY OF HOLYROOD, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 7 - LONG-TERM DEBT (continued)

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	YEAR								Total
	2011	2012	2013	2014	2015	2016-2020	2021-2025	2026	
Principal									
Kansas Water Pollution Control Revolving Loan Fund - Sewer	\$ 15,049	15,563	16,095	16,645	17,214	95,313	31,861	-	207,740
Kansas Water Pollution Control Revolving Loan Fund - Water	10,751	11,139	11,542	11,959	12,391	68,998	82,392	9,071	218,243
Total Principal	25,800	26,702	27,637	28,604	29,605	164,311	114,253	9,071	425,983
Interest									
Kansas Water Pollution Control Revolving Loan Fund - Sewer	6,406	5,929	5,437	4,927	4,400	13,440	1,005	-	41,544
Kansas Water Pollution Control Revolving Loan Fund - Water	6,963	6,613	6,250	5,874	5,484	21,063	8,978	147	61,372
Total Interest	13,369	12,542	11,687	10,801	9,884	34,503	9,983	147	102,916
Total Principal and Interest	\$ 39,169	39,244	39,324	39,405	39,489	198,814	124,236	9,218	528,899